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UNCLASSIFIED INFORMATION

SOURCE Hsin-sheng Wan-pao.

SAYS CCP CONSIDERS HONG KONG
INTEGRAL PART OF CHINA

IMMEDIATE ACTION UNLIKELY -- Hsin-sheng Wan-pao, 14 Jan 50

The CCP regards Hong Kong as an integral part of China. That the Communists are not willing to forego this view and deal with Hong Kong as British territory is borne out by the following facts:

1. Despite Hong Kong's importance to the Communists as a great trading center for their North China trade, they appear very dissatisfied with the existing situation.
2. Since their occupation of Kuang-chow, they have delayed the reopening of railroad through traffic between Chiu-lung (Kowloon) and Kuang-chow.
3. They have shown little interest in reestablishing normal relationships with the colony.

It may be assumed that the question of Hong Kong will continue to remain a serious problem between the two parties unless the CCP authorities abandon all claims to Hong Kong. It is very improbable, however, that the Communists will take any immediate action. This conclusion is based on the following three factors:

1. The CCP is not yet prepared to antagonize the British into starting another war, especially since their occupation of Taiwan and Hainan has not been completed.
2. Even if they take Taiwan and Hainan, food-shortage problems and their plans of assisting Ho Chi Minh in Viet Nam will keep them occupied for some time to come.
3. For the present it is essential that the Communists regard Hong Kong as an entrepot and transshipment point for American and British goods which they need desperately to stabilize their economy.

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The British recognition of the Central People's government in Pei-p'ing has brought no particular relief to the inhabitants and authorities of Hong Kong. The future of the city still remains in doubt.

KMT ASSETS MAY GO TO COMMUNISTS -- Hsin-sheng Wan-pao, 14 Jan 50

Now that the British government has officially recognized the Central People's government, the people of Hong Kong are greatly concerned over the question, "Will the CCP authorities be given complete control of all KMT assets in Hong Kong?"

According to Hong Kong law, all registered enterprises may not decrease their assets without permission of the Hong Kong authorities. It may be assumed, therefore, that all registered KMT government properties and assets which have not been liquidated to date will be turned over to the CCP authorities. However, the CCP will have no recourse for seeking redemption of interest and profits on investments which have been received by the KMT government from Hong Kong.

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